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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Uf 3-4-04

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-065462

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Sections 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Trading LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

233 Broadway Suite 720

(No. and Street)

New York, NY 10279

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Vincent Agosta (212) 931-8944

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Price, Scott B.

(Name - if individual, state last, first, middle name)

417 Montgomery Street, 3rd Floor, San Francisco, CA 94104

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**  
**MAR 19 2004**

**FOR OFFICIAL USE ONLY**

**THOMSON  
FINANCIAL**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Vincent Agosta, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Trading LLC, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
GERSHOM MAHON  
Notary Public, State of New York  
No. 01MA6057990  
Qualified in Kings County  
Commission Expires April 30, 2007

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**TRADING LLC  
(A LIMITED LIABILITY COMPANY)**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2003**

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

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Certified Public Accountants

SCOTT B. PRICE & COMPANY  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Trading LLC  
(A Limited Liability Company)

We have audited the accompanying statement of financial condition of Trading LLC (A Limited Liability Company) as of December 31, 2003 and the related statements of income, members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance U. S. with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trading LLC (A Limited Liability Company) as of December 31, 2003 and the results of its operations and cash flows for the year ended December 31, 2003, in conformity with U. S. generally accepted accounting principles.

Our audit has been made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 9 – 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'S. Price'.

Scott B. Price & Company  
Certified Public Accountants  
San Francisco, California

January 29, 2004

417 Montgomery Street  
3rd Floor  
San Francisco, CA 94104

415-398-5900  
415-398-0385 Fax

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2003

ASSETS

Current assets	
Cash	\$ 78,322
Accounts receivable	147,155
Prepaid expenses	<u>5,589</u>
Total current assets	231,066
Fixed assets	
Computer equipment	23,916
Furniture, fixtures and equipment	<u>7,315</u>
	31,231
Less: accumulated depreciation	<u>(6,459)</u>
Total fixed assets	<u>24,772</u>
Total assets	<u><u>\$ 255,838</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Accounts payable and accrued expenses	\$ 88,058
Retirement plan contribution payable	<u>35,000</u>
Total liabilities	123,058
Members' equity	<u>132,780</u>
Total liabilities and members' equity	<u><u>\$ 255,838</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2003

Total revenue	\$ 979,075
Operating expenses	
Guaranteed payments	590,300
Quote services	151,225
Pension contributions	35,000
Legal and accounting	22,070
Travel	21,516
Internet services	19,120
Insurance and bonds	14,955
Telephone	10,485
Meals and entertainment	8,716
Regulatory fees	7,232
Lodging	7,205
Depreciation	5,291
State taxes	3,300
Office supplies	2,395
Bad debt expense	2,043
Continuing education	1,733
Contract labor	1,525
Postage	1,431
Charitable contributions	200
Miscellaneous	<u>99</u>
Total operating expenses	<u>905,841</u>
Operating income	73,234
Other income	<u>276</u>
Net income	<u>\$ 73,510</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
STATEMENT OF MEMBERS' EQUITY  
YEAR ENDED DECEMBER 31, 2003

	<u>Vincent Agosta</u>	<u>Stacy Turner</u>	<u>Jonathan Hopkins</u>	<u>Total</u>
Beginning balance	\$ 95,832	\$ -	\$ 4,938	\$ 100,770
Transfer of capital	4,938	-	(4,938)	-
Contributions	-	1,000	-	1,000
Withdrawals	(37,500)	(5,000)	-	(42,500)
Net income	<u>37,808</u>	<u>35,702</u>	<u>-</u>	<u>73,510</u>
Ending balance	<u>\$ 101,078</u>	<u>\$ 31,702</u>	<u>\$ -</u>	<u>\$ 132,780</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2003

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 73,510
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5,291
Change in assets and liabilities:	
(Increase)/decrease in assets:	
Accounts receivable	(142,160)
Prepaid expenses	(5,589)
Increase/(decrease) in liabilities:	
Accounts payable and accrued expenses	74,525
Retirement plan contribution payable	<u>5,000</u>
Net cash provided by operating activities	10,577
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	<u>(10,883)</u>
Net cash used for investing activities	(10,883)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Members' contributions	1,000
Members' withdrawals	<u>(42,500)</u>
Net cash used by financing activities	<u>(41,500)</u>
Net decrease in cash	(41,806)
Cash at beginning of year	<u>120,128</u>
Cash at end of year	<u><u>\$ 78,322</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for:	
Interest	\$ -

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

**1 - THE COMPANY**

Trading LLC (the Company) was formed and organized as a California limited liability company on December 20, 2001. It has branch offices in San Francisco, California and New York, New York. The Company's primary activity is to act as an independent agency-based equity broker. The Company routes orders from institutional customers to executing brokers, earning a commission for doing so.

On November 19, 2002 Trading LLC became registered as a general securities broker-dealer with the Securities and Exchange Commission pursuant to Section 15c of the Securities Exchange Act of 1934 and became a member of the National Association of Securities Dealers, Inc. The Company was granted a broker-dealer certificate by the California Department of Corporations on November 21, 2002.

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company maintains its cash in bank deposit accounts, which at times may exceed insured limits. The company has not experienced any losses in such accounts.

Accounts Receivable

No allowance has been provided for uncollectible accounts. Management has evaluated the accounts and believes all are collectible.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Company is a limited liability company which has elected to be taxed as a partnership. Members are taxed individually on their share of the Company's earnings. Therefore, no provision or liability for income taxes has been provided for in these financial statements.

**3 - NET CAPITAL REQUIREMENTS**

The company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2003, the Company had net capital of \$102,419, which was \$94,216 in excess of its required net capital of \$8,203. The Company's net capital ratio was 0.83 to 1.

**4 - CONCENTRATIONS**

During the year the Company earned commissions from MPM Capital, Crosslink Capital, AIC Asset Management and Marion Advisory Partners equal to 51%, 29%, 10% and 9% of total commissions respectively.

**5 - RETIREMENT PLAN**

The Company has not adopted a retirement plan. Therefore, the Company will contribute a total of \$35,000 to the member's individual retirement accounts. The retirement contribution payable as of December 31, 2003 is \$35,000.

**6 - SIGNIFICANT EVENTS**

During January 2003, Jonathan Hopkins ceased to perform services for the Company. In accordance with the operating agreement and the restricted shares agreement, this action caused the forfeiture of his membership interest in the Company.

**7 - SUBSEQUENT EVENTS**

In January 2004 the Company entered into a month-to-month lease agreement for office space in New York in the amount of \$500 per month.

The Company has also entered into a 3-year lease for office space in San Francisco, California commencing February 1, 2004. The Company made a deposit of \$8,245 and will begin paying monthly rent of \$2,781 on June 1, 2004. The lease provides for rent increases

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

**7 - SUBSEQUENT EVENTS (CONTINUED)**

based on the tenant's proportionate share of increases in operating expenses and property tax assessments.

Future minimum lease payments are as follows:

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2004	\$ 19,215
2005	32,940
2006	32,940
2007	2,745

## **SUPPLEMENTARY INFORMATION**

**TRADING LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**COMPUTATION OF NET CAPITAL AND NET CAPITAL REQUIREMENTS FOR BROKERS**  
**AND DEALERS**  
**PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934**  
**DECEMBER 31, 2003**

**COMPUTATION OF NET CAPITAL**

Total ownership equity from Statement of Financial Condition	\$ 132,780
Less nonallowable assets:	
Prepaid expenses	5,589
Fixed assets, net	<u>24,772</u>
Total nonallowable assets	<u>30,361</u>
Net capital before haircuts on securities positions	102,419
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 102,419</u>

**COMPUTATION OF NET CAPITAL REQUIREMENT**

Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 8,203</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement (greater of above two amounts)	<u>\$ 8,203</u>
Excess net capital	<u>\$ 94,216</u>
Excess net capital at 800%	<u>\$ 87,037</u>
Excess net capital at 1000%	<u>\$ 90,113</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Total A.I. liabilities from Statement of Financial Condition	<u>\$ 123,058</u>
Percentage of aggregate indebtedness to net capital	<u>120.15%</u>

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
FOR BROKER-DEALERS PURSUANT TO RULE 15c3-3  
DECEMBER 31, 2003

An exemption from Rule 15c3-3 is claimed, based upon section (k)(2)(ii).

INFORMATION FOR POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3  
DECEMBER 31, 2003

Not applicable

TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
RECONCILIATION OF THE COMPUTATION OF LIQUID CAPITAL  
DECEMBER 31, 2003

Per original filing	\$ 141,514
Audit adjustments;	
To write off uncollectible receivable accounts	(2,043)
To reclassify prepaid expenses	5,312
To reclassify fixed asset purchases	1,788
To record depreciation expense	(5,291)
To accrue professional fees	(6,000)
To accrue state LLC fees	<u>(2,500)</u>
Per this filing	<u>\$ 132,780</u>



TRADING LLC  
(A LIMITED LIABILITY COMPANY)  
SIPC SUPPLEMENTAL REPORT  
DECEMBER 31, 2003

An exemption from filing the SIPC Supplemental Report is claimed  
as SIPC has suspended assessments based on operating revenues.

**TRADING LLC  
(A LIMITED LIABILITY COMPANY)**

**REPORT ON INTERNAL  
CONTROL STRUCTURE**

**DECEMBER 31, 2003**



Certified Public Accountants

SCOTT B. PRICE & COMPANY  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

### Trading LLC (A Limited Liability Company)

In planning and performing our audit of the financial statements and supplemental schedules of Trading LLC (A Limited Liability Company) for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to

417 Montgomery Street  
3rd Floor  
San Francisco, CA 94104

415-398-5900  
415-398-0385 Fax

the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the National Association of Securities Dealers, Inc., the New York Stock Exchange, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Scott B. Price & Company  
Certified Public Accountants  
San Francisco, California

January 29, 2004